

Technical Support to the South African Department of Labour (DOL),  
Labour Centres (LCs) and Sector Education Training Authorities (SETAs)

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## ***SMME TECHNICAL ASSISTANCE FINAL REPORT: PART II***

### **PROGRAM IMPLEMENTATION STRATEGY AND PLANS**

#### **Submitted to:**

*FOOD AND BEVERAGES MANUFACTURING  
SECTOR EDUCATION AND TRAINING AUTHORITY  
(FOODBEV SETA)  
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Department of Labour

## EXECUTIVE SUMMARY

The SMME Technical Assistance Final Report: Part II describes the proposed Food Bev SETA revised SMME Program Implementation Strategy, Action Plan and Monitoring Plan prepared during February, March, and April 2003 by Development Associates, Inc. and Khulisa Management Services. The assignment was conducted under IQC Contract Number 674-I-00-00005-00, Task Order 009.

This report is divided into three Sections:

- **Section I** describes the recommended **SMME Program Implementation Strategy** that includes a **Marketing and Outreach Strategy and a Training Strategy**. Each of the strategies includes strategic initiatives to help overcome many of the current constraints that the FoodBev SETA is experiencing in reaching SMMEs;
- **Section II** develops an **Action Plan** based on the implementation of the strategic initiatives and their component action steps; and,
- **Section III** recommends a **Monitoring Plan** to capture information that will assist FoodBev SETA management in designing projects, monitoring progress toward implementation of its plans, and assessing its coverage and effect on client enterprises.

## SECTION I: SMME PROGRAM IMPLEMENTATION STRATEGY

### Strategy Development Process

The consultants carried out a mini-Needs Assessment Study<sup>1</sup> with small and medium scale enterprises (SMEs) during March 2003 at businesses in the Western Cape, KwaZulu Natal, and Gauteng, as well as interviews with various sub-sector industry representatives and Skills Development Facilitators (SDFs). Information gathered from these sources and document reviews accomplished two objectives:

- To construct an SME Typology that describes small and medium scale businesses in terms of numbers of employees and other management characteristics. This provided a basis for a **Business Orientation and Training Strategy** that takes into consideration the different training needs of businesses of different sizes targeting workers, managers, and/or owners; and
- To suggest an **SMME Marketing and Outreach Strategy** for expanding coverage and outreach by the FoodBev SETA to all levels of SMMEs.

Based on the Needs Assessment and many other interviews with FoodBev SETA stakeholders, business representative associations, business owners, managers, and labour representatives the consultants make the following strategy recommendations.

#### A. Business Orientation and Training Strategy

- The FoodBev SETA should adopt a Three Track Approach to SME Training:

*Track I: Business Orientation and Training for current employees of SMEs*

*Objective: To provide business information that encourages current employees to advance in business supervisory and management areas.*

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<sup>1</sup> A sample of 36 company interviews (23 *in situ* and 13 telephone) was based on levy paying companies that were identified by Skills Development Facilitators (SDFs) and through a data base provided by the FoodBev SETA.

*Track II: Business management training for business owners/managers of SMEs**Objective: To stimulate business sustainability and future growth.**Track III: Business orientation and management training for learners in technical skills training programs.**Objective: To foster the notion that self-employment is an option.*

- The FoodBev SETA should base the training content for its SME Training on the selection of already approved unit standards and/or qualifications on the NQF that address the central themes of each of the three Training Tracks. (See Chart I on Page 6.)

**B. Marketing and Outreach Strategy**

The FoodBev SETA should...

- identify and hire four regional Consultant Skills Development Facilitators (SDFs) to provide a greater official, on-going SETA presence and marketing arm throughout the country. These SDFs pro-actively market the FoodBev SETA skills program and will continue to develop Workplace Skills Plans (WSPs);
- expand the role of SDFs to augment outreach and coverage particularly in geographic areas where the SETA is most likely to identify and elicit participation of BEEs;
- utilize already established industry sub-sector representative organizations to coordinate technical information and training needs between the businesses conforming the sub-sector, the SETA, and the Consultant SDFs;
- encourage establishment of new sub-sector representative organizations as technical training designers and providers;
- provide grant support for the development of the training capacity of selected sub-sector representative organizations enabling them to become Training Providers, Assessors and Moderators;
- commit each regional Consultant SDF to advertise and to man, during working hours, FoodBev SETA Information Lines in each region; and,
- use radio and TV to inform companies about where program information can be obtained and the existence of Regional FoodBev SETA Information Lines.

**SECTION II: ACTION PLAN**

The implementation strategy for SMME outreach and training suggested to the FoodBev SETA includes, in the main text, Strategic Initiatives and Action Steps that are designed to increase the participation of registered levy-paying small and medium size businesses in FoodBev SETA sponsored training and human capacity development efforts.

The Action Plan lays down a series of Action Steps linked to the 10 Strategic Initiatives that are needed to assure that the outreach and training components of the strategy for SMME development are achieved in a reasonable time frame.

**SECTION III: MONITORING PLAN**

As the FoodBev SETA program matures, more outreach and program marketing is done, and as more services are actually provided to client businesses, the SETA organization should be able to easily track program-related information with a higher level of accuracy and

relevancy than is currently possible. The following information should be collected on a regular basis because it will enable the SETA to determine progress toward implementation of the revised training and outreach strategies, program more efficiently its resources, and measure the increase in services to SMMEs resulting from the augmented outreach services.

The FoodBev SETA should:

- Establish a FoodBev SETA-specific database of all registered participating and non-participating FoodBev businesses;
- Monitor all FoodBev SETA-financed education and training activities conducted with clients; and,
- Monitor progress toward implementing the SMME Strategy recommended in SECTIONS I and II.

The consultants also recommend that the information collected in each area listed above be incorporated into the current revisions in SETA's internal data system<sup>2</sup>.

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<sup>2</sup> The technical aspects of recording monitoring information in a way that allows most flexibility in sorting data by company name, size, sub-sector, BEE ownership, training needs identified, subject of trainings actually provided, and source of financing will be designed and recommended by the IT Consultant currently on contract to the SETA.

## **ACKNOWLEDGEMENTS**

The consultants assigned to the project wish to express appreciation to the Food and Beverages Manufacturing Sector Education and Training Authority (FoodBev SETA) Chief Executive, Ravin Deonarain, and his staff for their cooperation and assistance during the course of our assignment to develop improved SMME outreach and business management training strategies. Their collaboration was manifested by taking time to discuss program implementation issues with the consultants and by providing necessary documents, contacts, logistical support, and other data when it was requested. They also made time in their busy schedules to periodically review strategy development ideas to ensure that the consultants were “on track” regarding the completeness of their information, their analyses, and the development of conclusions.

Additionally, we would like to express our gratitude to the FoodBev SETA Council and its Chairman, Tommy van der Walt, for inviting us to provide an interim briefing during their March 19 Council Meeting and their encouragement to proceed with our initial ideas on a revised SMME Outreach and Training Strategy. We are also grateful for the early collaboration of Council Members Peter Cownie (Baking Chamber), Gerhart Venter (Dairy Foundation) and Hennie Korff of Enterprise Foods for their assistance in understanding the FoodBev SETA, the structures and processes in the National Skills Development Strategy (NSDS), general characteristics of SMMEs in their respective sectors, and the training being designed in their respective areas.

Development Associates would also like to gratefully acknowledge the assistance provided by SETA-funded Skills Development Facilitators (SDFs), particularly Veld Cooper and Associates (VCA) and Ms. Sylvia Hammond, in coordinating the field visits in KwaZulu Natal and the Western Cape regions in the course of conducting the Needs Assessment Study.

To all the business owners and managers who agreed to meet with us to discuss their businesses, their needs for training and skills upgrading for workers and management, and the Skills Levy under the NSDS and other Programs, we express our sincere thanks.

Finally, Development Associates extends its appreciation to its partner, Khulisa Management Services, that provided local administrative and logistical backstopping and other support for this project.

## **DISCLAIMER**

Development Associates, Inc. and its subcontractors, Khulisa Management Services, have prepared this report. The findings and opinions expressed in this report are solely those of the authors and do not necessarily represent those of the United States Agency for International Development nor the South African Department of Labour (DOL). Similarly, any errors or omissions are the responsibility of the authors.

## **KEY PERSONNEL**

Two consultants, one from the United States and one from South Africa, were assigned to this project. Both have extensive experience in the field of business development, project design and implementation under various foreign assistance programs.

### **Peter H. Fraser**

Peter Fraser began working in the field of small business development in the 1970s and has continued since then to be actively involved in the field having completed many long and short-term assignments in SMME project design, implementation, monitoring, and evaluation in over 20 countries on three continents, including five countries in Africa. He has gained significant experience in providing consulting services through contracts with the United States Agency for International Development (USAID) and the Inter American Development Bank (IDB) in microfinance, technical assistance and training for small business and micro-enterprise skills upgrading. He also played an early, pivotal role in the development of group credit methodologies in the field of microfinance and has worked with business development organizations and financial institutions on institutional strengthening, strategy, and planning. Mr. Fraser received a Masters Degree from Indiana University in the United States in Latin American Studies with emphasis in development economics and business.

### **Michael Levy**

Michael Levy studied engineering at the University of Witwatersrand in Johannesburg, South Africa and spent 15 years in the engineering and manufacturing industry sector working as project engineer and project manager on diverse industrial projects. Following an MBA at the University of Cape Town, Mr. Levy was employed as an Investment Officer at the International Finance Corporation (IFC), a member of the World Bank Group. His work at the IFC was focused on the SME sector and included both technical assistance and structuring of investments in small and medium sized businesses in the Southern Africa region, including Swaziland, Lesotho and Botswana. His investment work covered both start-ups and expansion capital and the monitoring and restructuring of existing investments. As a development organization, the IFC works in collaboration with similar development finance organizations in South Africa including the Industrial Development Corporation (IDC), Business Partners, Development Bank of South Africa (DBSA), Department of Trade and Industry (DTI) organizations Khula and Ntsika. Mr Levy brings a broad knowledge of the SME sector in South Africa to this assignment.

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## ACRONYMS

ABET	ADULT BASIC EDUCATION AND TRAINING
BCCS	BAKING, CONFECTIONERY, CEREALS AND SNACKS
BEE	BLACK EMPOWERMENT ENTERPRISES
DBSA	DEVELOPMENT BANK OF SOUTH AFRICA
DOL	DEPARTMENT OF LABOUR
DTI	DEPARTMENT OF TRADE AND INDUSTRY
ETQA	EDUCATION AND TRAINING QUALITY ASSURANCE
FOOD/BEV SETA	FOOD AND BEVERAGES MANUFACTURING SECTOR EDUCATION AND TRAINING AUTHORITY
HACCP	HAZARD ANALYSIS CRITICAL CONTROL POINTS
HRD	HUMAN RESOURCE DEVELOPMENT
IDB	INTERN AMERICAN DEVELOPMENT BANK
IDC	INDUSTRIAL DEVELOPMENT CORPORATION
IFC	INTERNATIONAL FINANCE CORPORATION
LOE	LEVEL OF EFFORT
NQF	NATIONAL QUALIFICATIONS FRAMEWORK
NSDS	NATIONAL SKILLS DEVELOPMENT STRATEGY
NSF	NATIONAL SKILLS FUND
PDI	PREVIOUSLY DISADVANTAGED INDIVIDUALS
RFP	REQUEST FOR PROPOSALS
RPL	RECOGNITION OF PRIOR LEARNING
SAFATU	SOUTH AFRICAN FOOD AND ALLIED TRADE UNION
SAQA	SOUTH AFRICAN QUALIFICATIONS AUTHORITY
SARS	SOUTH AFRICAN REVENUE SERVICE
SDA	SKILLS DEVELOPMENT ACT
SDF	SKILLS DEVELOPMENT FACILITATOR
SDLA	SKILLS DEVELOPMENT LEVY ACT
SETA	SECTOR EDUCATION AND TRAINING AUTHORITY
SETASA	SECTOR EDUCATION AND TRAINING AUTHORITY SECONDARY AGRICULTURE
SGB	STANDARDS GENERATING BODY
SLA	SKILLS LEVY ACT
SMEs	SMALL AND MEDIUM ENTERPRISES
SMME's	SMALL, MEDIUM, AND MICRO-ENTERPRISES
USAID	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
VCA	VELD COOPER AND ASSOCIATES
WSP	WORKPLACE SKILLS PLAN



## 1. SECTION I: SMME DEVELOPMENT PROGRAM IMPLEMENTATION STRATEGY

### 1.1. Introduction

Based on the Needs Assessment Study conducted during March 2003 by means of in situ interviews with small and medium scale businesses in the Western Cape, KwaZulu Natal, and by telephone in Gauteng, consultants Peter Fraser and Michael Levy were able to collect information sufficient to develop an initial profile or typology of small and medium scale businesses in the FoodBev Manufacturing Sector in various parts of South Africa. The Study interviews and conversations with various sub-sector industry representatives, SDFs, and review of SETA planning documents, also gave the consultants useful insights into the reasons for low SMME participation rates in the Skills Levy Program and its implementation.

Information gathered in the Study specifically enabled the consultants to accomplish two objectives:

- The first was to construct an SME Descriptive Typology that broke out small and medium scale businesses into three strata that were used to profile business characteristics at these three levels. This provided a basis upon which to develop a **Business Orientation and Training Strategy** that takes into consideration different kinds of training needs in each stratum of established businesses and for two different types of learners. The two groups of learners are composed of currently employed workers (including shop floor employees and mid-management personnel) and business owners who frequently make most, if not all, of the business decisions for the enterprise.
- The second objective accomplished was to develop recommendations for suggested **SMME Marketing and Outreach Strategy** to expand coverage and outreach by the FoodBev SETA to all levels of SMMEs.

### 1.2. Business Orientation and Training for Established Businesses

The Business Orientation and Training Strategy suggested in this paper is based on basic business awareness and management needs that cross cut the technical sub-sector areas and is essentially the same for different kinds of businesses notwithstanding their product areas. For this reason the term “cross cutting” is used to describe the training proposed.

Where there are industry sub-sector specific business or management approaches or requirements, for example, inventory and raw materials controls, waste management, and so forth, these modules would be introduced to learners as part of specific unit standards, skills programs, or learnerships approved for a given industry sub-sector.

The objectives of the Training Strategy are to strengthen established enterprises by providing management skills needed for sustainability and growth. Training is contemplated for both employees and business owners in management and administration subjects. In our discussions with business owners, there was a recognition that it was important for workers to have a better understanding of how businesses operate and why business owners and managers make some of the decisions they do<sup>3</sup>. (See Strategic Initiative No. 3.)

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<sup>3</sup> It came to the consultants' attention that these kinds of business orientation seminars for workers are already being conducted by the MERSETA by an accredited provider and, with the appropriate Memorandum of

Owners were also positive on the possibility of business and management training for themselves, admitting that they need to be instructed on the science of management and decision making. One owner said that they sometimes “don’t even know what they don’t know” and that training, such as the DAMELIN course being given in Pietermaritzburg, can be very good.

The content for the training would be based on already approved unit standards and/or qualifications on the NQF that address the themes of each of the Training Tracks proposed in the Strategy. In our brief review of approved unit standards in Generic Business Management in preparation for the Training Strategy Implementation Workshop that is planned for later in 2003, we found that there are many approved unit standards in business administration and management subjects at appropriate NQF levels that could be used in various combinations to meet the objectives and themes of training contained in Chart I on Page 6 below. There does not appear to be an immediate need to create many new unit standards appropriate to the basic training needs of the different kinds of learners envisioned, although there seem to be gaps in approved certificates and qualifications at some of the needed NQF levels. That is, the courses, in some cases, had been developed, but had not yet been approved. This has, in the initial years, been a principal roadblock to training implementation.

Our approach is to select already approved standards initially that would be accumulated over a period of time leading to a business management qualification at an appropriate level. A package of unit standards could then be clustered into a Skills Program, and a series of Skills Programs could be developed in such a way as to lead to a Learnership and, possibly, a full qualification, including Core, Fundamental, and Elective credits. This incremental approach seems consistent with the observations of various FoodBev sub-sector representative associations and small enterprises that have commented consistently that the very concentrated training commitments under the Learnership scheme make it almost impossible for them to participate.

Under the incremental scheme, training could be done at an appropriate pace for both the learner and the enterprise. The more concentrated the training, the more quickly a qualification could be achieved. Regardless of the pace of training, however, the incremental approach combines competencies so that eventually the learner would be able to obtain a certificate or diploma that will be of use as recognized confirmation of competencies achieved through the training. Under this approach, small or medium scale enterprises would not have to commit to training that is not commensurate with their capacities to release people for it. Given the time, human resource, and financing constraints on small and medium scale businesses, these incremental short injections of approved training would be more attractive to small businesses, on the one hand, and to learners, on the other, who would eventually accumulate recognized competencies in a given field.

There is recognition by the Standards Generating Bodies (SGBs) that are charged with drafting, approving, and advancing unit standards for approval by the South African Qualifications Authority (SAQA), that some management training should be incorporated into technical training to prepare employees for administrative functions and eventual advancement into administrative and managerial positions. They recognize that employees receiving technical training (and their employers) would benefit from some business orientation and management credits built into their technical programs that would augment their awareness of business issues and, as a consequence, their value as employees.

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Understanding between the FoodBev SETA and MARSETA, and with adequate ETQA controls, this training could be provided across SETA lines.

Individual business unit standards or combinations of them can be folded into technical training courses as is currently being done in a number of FoodBev Dairy and Baking National Certificate offerings. Melding business training with technical qualifications may require adjusting technical qualifications to include business orientation and management/administration in the desired outcomes, but it may be worth the effort. By increasing the breadth of outcomes, learners would be afforded a broader range of advancement options. Providing learners with a broader range of options is an important aspect of overall NSDS equity considerations.

Training Providers accredited for Generic Business Management or other business courses need to be identified and promoted. Groups of these providers, preferably smaller organizations or individuals should be identified in all corners of the country so that smaller enterprises will have easier access to training. The SETA should focus special attention on identifying Training Providers from the Black, Indian, and Coloured communities and pay special attention through its ETQA Officers in assuring that the outreach program, described below, makes a concerted effort to promote the program and provide services in the townships and demographic areas that will lead to a significantly more inclusive program of education and training to PDI-owned businesses.

***Following are important steps that will need to be taken in the implementation of the Business Orientation and Training Strategy.***

#### **1.2.1. Strategic Initiative 1: Approach Based on Enterprise Size**

- **The FoodBev SETA adopts a Two Track Approach to SME Training based on the characteristics and business training needs of employees and owners of established enterprises according to their size.**

The SME Training Strategy for established businesses has identified an approach to training for current employees and owners of established enterprises in which the general themes of the training in Tracks I and II are determined by the needs of employees on the one hand, and owners, on the other.

#### **1.2.2. Strategic Initiative No. 2: Grant-financed Training Increased**

- **The FoodBev SETA increases discretionary and National Skills Fund grants to pay up-front for (or more quickly reimburse) Skills Programs and Learnerships for SMEs.**

More grant-financed skills initiatives for workers in common life issues, orientation to the world of business, and ABET to “prime the pump”, that is, to induce small business owners and managers to provide opportunities for life and technical skills upgrading for workers, is needed.

There appears to be little benefit from holding back unclaimed skills levy funds that should be used directly for training.

#### **1.2.3. Strategic Initiative 3: Training for Employers and Employees**

- **The FoodBev SETA develops two tracks of business orientation and training modules for current employees and owners of established SMEs based on already approved unit standards and qualifications.**

### **1.2.3.1. Track I: Business Orientation and Training for SME Current Employees**

*Objective: To provide business information that encourages current employees to advance in business supervisory and management areas.*

In our Needs Assessment Study, business owners described various kinds of training that were of interest to them for their employees. Much of it was of a technical/production methods nature. But they also corroborated that a constraint on business efficiency and growth was the lack of management and administrative capacity among the workforce on the production floor. Depending on the size of the business, there were varying degrees of delegation of authority. In the smallest companies, owners are the managers and decision makers in all facets of their businesses and they infrequently delegate authority. If there is a situation that needs a decision, worker/supervisors (sometimes designated as “team leaders” in small firms) will go to the owner and the owner will make the decision on how to handle the situation.

As firms grow, owners are less able to cover all the decisions without jeopardizing production flow while everyone waits for a decision. With growth, business operations and management become more complex. Before owners can begin to delegate authority employees need to understand the basics of managing and supervising co-workers, particularly if they have never been exposed to the internal workings of a profit-oriented enterprise.

Entry level employees, for example, would benefit from general orientations about what business is, how businesses function, and the reasons managers and owners make the decisions they do. They might receive this orientation in high school or technical schools before beginning employment or right at the beginning of their employment with a company. Small Businesses plausibly would find it useful, after the basic orientations, for example, to continue with rudimentary training for employees in keeping track of inventory and warehouse management skills, or other training specifically designated by companies. Progressively, for selected employees, this could lead to more complex and focussed training in management and decision making as owners find it necessary to relinquish authority to their most trusted employees, who, in turn, progressively need to assume more managerial responsibilities within the business.

As skills are ratcheted up little by little through a succession of SAQA approved unit standards and qualifications to reach higher competencies and aspirations, employees should get closer to a National Certification under the NQF.

The ultimate objective is to train workers to gradually become valued members of the business management, thereby assisting the owner to assure business process and management continuity, production levels, sales, revenues, profits, and, in the end, the sustainability of the business. If employees are in a position to contribute in increasingly positive ways to the management of the enterprise, successfully carrying out functions delegated to them, they are likely to be happier employees and employers are also more likely to keep them on the payroll as productive employees and remunerate them better, with commensurate improvements in their quality of life and living standards.

And finally, as workers continue in their life-long learning process, they will be afforded the opportunity to gain National Certificates and, maybe, even Diplomas that will empower them to negotiate more successfully their terms of employment with employers, since these qualifications are transportable with the employee throughout a career.

The FoodBev SETA, through its WSPs and other instruments to collect baseline needs information, could gain efficiencies in training by grouping firms according to the specific courses they request. (See SECTION III: Monitoring Plan.)

#### **1.2.3.2. Track II: Business Management Training for SME Business Owners**

*Objective: To stimulate business sustainability and future growth.*

Owners of small enterprises were receptive to the idea that they, too, could benefit from training provided by the FoodBev SETA under the Skills Levy Program set-up. Training for owners would be in general management theory, why and how to delegate authority, understanding more clearly the significance and interpretation of certain financial relationships, and the implications of growth on capital investment, cash flow, business organization and sustainability. These themes are critical to growing a business carefully and owners, sometimes sheepishly, admit they need these kinds of training themselves.

**CHART I: BUSINESS ORIENTATION AND TRAINING THEMES  
DERIVED FROM NEEDS ASSESSMENT FINDINGS AND CONCLUSIONS**

<b>Crosscutting Business Training:</b>	<b>Level I Small 6 – 24 employees</b>	<b>Level II Small 25 – 49 employees</b>	<b>Medium 50 – 150 employees</b>
<b>Track I: Business orientation and training for current employees.</b>  <b>Objective: To provide business information that encourages current employees to advance in business supervisory and management areas.</b>	Business functions. Primary components of business management. Basic drivers of business decisions.	Basics of business mgmt. Production management. Concepts of efficiency, productivity. Inventory management for supervisors; basic financial management concepts and data capture for accountants and bookkeepers. Basic customer service.	Intermediate business management; middle management theory and practice: financial data needs and capture for accountants and bookkeepers.
<b>Track II: Business management training for business owners/managers</b>  <b>Objective: To stimulate business sustainability and future growth.</b>	Process of business growth. Implications of growth on organization/ regulation, labour law. Need for understanding of financial information and its interpretation. Need for business plans.	Business planning. Basic elements of the plan. Planning for growth. Interpretation of accounting data and application to managerial decision-making. Legal and regulatory environment issues.	Business planning. Planning for growth (possible export) Interpretation of accounting data and application to managerial decision making. Legal and regulatory environment issues.
<b>TECHNICAL TRAINING:</b>	Specific technical training to be determined by technical subject matter specialists in each sub-sector.	Specific technical training to be determined by technical subject matter specialists in each sub-sector.	Specific technical training to be determined by technical subject matter specialists in each sub-sector.

**1.3. Business and Entrepreneurial Orientation to encourage future creation of new, growth oriented small and micro-enterprises**

**1.3.1. Strategy Initiative No. 4: Entrepreneurship Training**

- **The FoodBev SETA develops one or more business and entrepreneurship training modules for learners in technical skills training programs**

**1.3.1.1. Track III: Business and entrepreneurial orientation for learners in technical skills training programs.**

*Objective: To encourage technical learners to take an interest in business and encourage the notion that self-employment and entrepreneurship is an option.*

The Third Track in the Business Orientation and Training Strategy is designed to provide business and general entrepreneurship orientation to learners who are studying a technical field, who are currently unemployed, and who are potentially interested in self-employment. The concept is that many young people have never been exposed to the notion that there is any other option in their future other than to be an employee working for someone else. The modules that would be developed under this Track have the objective of encouraging technical students to consider the option of self-employment in their futures, should they determine at any given time that they are, indeed, entrepreneurial and have the personal character (risk threshold, discipline, and business acumen) to be able to take on the entrepreneurial challenge.

This Track is not designed to take low skill, unemployed people off the streets who have few other options other than survivalist self-employment (See APPENDIX E – SMME Report Part I: Notes on Informal Enterprise Sector). The focus of Track III is to create awareness on the part of young, dynamic students in technical fields as to what business is all about. Its objective is to begin a process of drawing to their attention that they may have it in themselves to become self-employed entrepreneurs.

The difference between this and survivalist micro-enterprise self-employment programs is that these potential young entrepreneurs would be able to make a conscious choice to start an enterprise, with the technical and basic management tools, needed for them to have a better chance at building and growing their businesses and making them sustainable over time.

<p><b>Track III: Business orientation and management training for learners in technical skills training programs.</b></p> <p><b>Objective: To encourage technical learners to take an interest in business and encourage the notion that self-employment and entrepreneurship is an option.</b></p>	<p>Orientation to enterprise development. What is an entrepreneur; basic attitudes of business ownership. How to start and register a business. What makes a business successful. Basics of business management.</p>
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#### **1.4. SMME Marketing and Outreach Strategy**

This part of the SMME dual strategy is designed to address the very low SMME participation rate in the Skills Levy Program of the FoodBev SETA explained by small and medium scale business owners, other business representatives, and SDFs. Their observations depict quite a negative perception by small and medium scale enterprises of the program and the outreach efforts of the SETA.

Many enterprises said that while the periodic information dissemination and promotional workshops have a positive ring, the SETA presence in a given locality is too short and the opportunity for businesses or the SETA to follow-up with each other during the “road shows” is minimal. The opportunity to reach businesses in the local area effectively and “make the sale” is largely lost, because of the quick turn-around, “road show” approach. It also appears that many businesses either may not have learned of the workshops on time for them to participate, or they do not pay much attention to the promotion initially. It is really not the businesses job to be more proactive, it is the SETA's.

Since SETA hired personnel are restricted by time and other duties as to how much time they can devote to promotion, it is suggested that the role of Consultant Skills Development Facilitators (SDFs) contracted directly by the FoodBev SETA principally to encourage smaller and medium scale enterprises to participate in the Skills Levy Program and prepare Workplace Skills Plans (WSPs) be expanded to include an official recruitment and information dissemination role. The consultant and external SDFs would take on a more proactive role and would provide longer-term presence, several weeks, perhaps, in given marketing areas to promote the work of the SETA and encourage businesses to take advantage of the more “attractive “ programs that are being developed currently by the SETA. These include examples such as grant based learnerships and other NSF grant initiatives that pay for training up front addressing the training cost and cash flow issues of smaller enterprises.

Currently, SDFs are limited to pumping out WSPs on a piecework basis. Even though they are the ones closest to SMMEs in the field, any additional market development or promotional work is “pro bono”.

##### **1.4.1. Strategic Initiative No. 5: More FoodBev Marketing**

- **The FoodBev SETA expands its market development role through the use of current Consultant Skills Development Facilitators (SDFs) or new SDFs to provide a greater official, on-going SETA presence and marketing arm throughout the country.**

It is suggested that the FoodBev SETA identify four regional market development operations to provide expanded, on-going local and regional coverage far beyond the scope of the “road shows” that have not afforded the SETA the kind of institutional presence for long enough periods to reach very many businesses. These could be drawn from the most successful of the currently contracted Consultant or External SDFs that have been the primary source of increased participation of smaller businesses in the Skills Development Programs financed through Skills Levy funds.

These promotion/marketing organizations would also be responsible for providing or identifying collaborators to provide outreach into areas of the country where they would be most likely to identify and encourage participation of BEEs in the Skills Levy Program. (See Strategic Initiative No. 6)



The Consultant SDFs would remain in different localities for sufficient periods of time not only to help prepare the WSPs of small and medium size enterprises, but to also actively conduct locally based marketing in community organizations and other local business organizations as well as to stimulate contact with area smaller enterprises, and answer their questions face-to-face.

The SDFs would, for example, be required to deploy people to important regional markets, for periods of several weeks to provide a continuous presence, to be available to answer questions, organize specific training, and generate WSPs. The Consultant SDFs would be tasked to identify and train a local person to provide promotional services on a part time basis (or other schedule that made sense and was cost-effective) on SETA programs and training courses available. The objective would be to create a continuous regional presence and contact point for smaller companies that want the face-to-face contact. This would go a long way to dispelling the “aloof” reputation that the SETA has. (See Strategic Initiative No. 10: also includes a proposal to create Regional FoodBev SETA Information Lines.)

These regionally based “marketing” reps would also be able to follow up on leads provided by the industry sub-sector coordinators (see Strategic Initiative No. 7) and from the general database of firms paying the Skills Levy. These facilitators/promoters would continue in their role of assisting small and medium size enterprises with the development of WSPs and other paperwork.

They would also be responsible for identifying and encouraging unregistered companies in special outreach areas to become familiar with the SETA's programs, particularly the up-front grant financed initiatives to show that services are really available and relevant to the needs of small companies. (See Strategic Initiative No. 6)

#### **1.4.2. Strategic Initiative No. 6: Outreach to BEEs**

- **The FoodBev SETA makes significant effort in its outreach to assure that BEEs are identified and participate in its programs.**

It became quite clear throughout the assignment that very few Skills Levy compliant enterprises under the FoodBev SETA are PDI owned or BEEs. If the participation of small and medium scale white-owned businesses is very low in the Skills Levy program, it is not particularly surprising that BEE participation would most likely be even lower. The consultants realize that part of the reason for this situation is that many small and micro-BEEs are simply not registered with SARS or the Skills Levy. Therefore they would not show up on the FoodBev SETA's database. However, another part of the problem is that promotion, outreach, and marketing efforts appear to have been scant or non-existent in geographical areas, such as the Townships, where many BEEs would most likely be found.

### 1.4.3. Strategic Initiative No. 7: Sub-Sector Associations for Outreach

- **The FoodBev SETA utilizes established industry sub-sector representative associations to help coordinate contacts, flow of technical information between the sub-sector and the SETA, and to augment SETA credibility.**

In order to overcome another element of the present negative market perception, the delivery mechanism of SETA services needs to be one that is regarded as credible by small and medium scale businesses.

Industry sub-sector groups appear to be quite well regarded as having the business interests of their industry sub-sectors at heart. It seems that these organizations also tend to represent smaller and mid-sized firms in the sub-sectors that, alone, would find it difficult to foot the costs of representation and other services such as technical assistance, training, and general skills upgrading programs.

The industry groups have the further advantage that they hold a wealth of industry knowledge and experience that is crucial in developing the specific training needed by their industry sub-sectors. These industry representative groups would be the most appropriate entities to facilitate the identification of training needs and the dissemination of information specific to industry needs and, particularly relevant to small and medium size enterprises in their sub-sectors. Furthermore, they would be excellent conduits for training needs requirements to the SETA from the sub-sector and could also channel information regarding SETA services efficiently, in the other direction, from the SETA to the sub-sector. They provide the technical go-between and credibility that the SGBs and other legislated bodies are not providing.

As these industry representative groups become more developed they would be encouraged to create their own internal training capabilities as has been the experience of the Dairy Foundation, the Baking Chamber, the South African Wine and Brandy Company, and the Wine Trust.

The consultants suggest that the SETA assist these industry sub-sector groups to develop into accredited Training Providers for their specific industries and/or sub-sectors. Discretionary grants could be used for this purpose.

To begin the process, the business sub-sector groups would name committed sub-sector “coordinators” affiliated to the industry associations or foundations, who would be the conduit of industry and specific enterprise needs to the SETA. Initially the associations would hire a part-time SETA coordinator for each organization. These part-time employees would be seconded to the SETA for two years (or such time as needed) until the Association achieves “provider” status and begins contracting directly with the SETA to provide training services.

The consultants suggest that the part-time consultant/industry experts could be recruited from retired industry specialists who have the time to commit to this type of endeavour at a relatively low cost to the SETA. They will be indispensable to the credibility of the Skills Development Strategy from the perspective of SMEs. They will augment the success of the SETA nationwide by effectively covering more sub-sectors than are currently represented by the five FoodBev SETA Chambers.

The regional market development coordinators, that is, the Consultant SDFs mentioned above in Strategic Initiative No. 5, could be the interface with the sub-sector association coordinators and would be in a position to follow up with the bureaucratic requirements of helping companies, through the auspices of the associations, put together the WSPs, yearly implementation reports, and, generally comply with the bureaucratic requirements of the Skills Development programs, such as applications for discretionary training grants.

**Note:** The FoodBev SETA has recently begun (or is about) to grant-finance business management training courses and institutional capacity building for industry sub-sector organizations (see Strategic Initiative No. 9.) In the opinion of the consultants, the SETA is clearly moving in the right direction with their more proactive use of grant-financed training using funds generated by the Skills Levy. This should go a long way to inducing greatly improved participation of companies and individual learners in the FoodBev SETA Skills Development Program.

#### **1.4.4. Strategic Initiative No. 8: Promote New Industry Sub-Sector Organizations**

- **The FoodBev SETA actively promotes the establishment and development of new industry sub-sector specialist organizations**

There are relatively few organized (e.g. not enough) industry sub-sector associations or representational groups in the food and beverages manufacturing sector currently. New associations should be encouraged and assistance provided to associations that place a strong emphasis on human resource development and that would be directly involved in their own skills capacity upgrading programs.

Their organizational structures should be inclusive in that they represent employees (through organized labour groups) as well as employers to assure that the services provided take into account the interests and needs of both points of view.

#### **1.4.5. Strategic Initiative No. 9: Capacity Building for Industry Associations**

- **The FoodBev SETA makes provisions for grant financing of human resource capacity development and skills upgrading programs in industry sub-sector representative associations with the visions of assisting these organizations to qualify as training providers, assessors, and moderators.**

A typical grant could involve one half the projected cost up-front, 25% half way through, and 25% upon satisfactorily completing the accreditation process. This formula could apply to accreditation expenses to achieve status as training providers, assessors, and moderators.

#### **1.4.6. Strategic Initiative No. 10: Use Radio and TV**

- **The FoodBev SETA uses radio and TV spots, as well as Regional Information Lines to let client companies know where program information can be obtained in the locality where they are based.**

To support the efforts of the Consultant and External regional marketing and outreach SDFs and the industry sub-sector representative organizations in their given localities, use of radio and TV will be encouraged as the means of preference for getting public service messages to end users.

As part of the outreach effort the SDFs should implement Regional FoodBev SETA Telephone Information Lines that businesses can call at designated times during working hours to get current, detailed information on all aspects of the FoodBev SETA education and training programs. After hours, a pre-recorded message could be used to provide basic information. Radio and TV spots would also be used to inform companies about where program information could be obtained as well as about the existence of the Regional FoodBev SETA Information Lines and the telephone numbers.

**Note:** It was commented by several small business owners that newsletters and e-mail are generally put aside. The perception is that the information often did not seem very relevant to the interests of the business owners. It may be that for large enterprises, HR managers might find the information of more interest and relevant to their needs. But, the bottom line is that it seems that regular or electronic mail bulletins have not been very effective marketing tools, at least for smaller enterprises.

## 2. SECTION II: ACTION PLAN

### 2.1. Introduction

In SECTION I, an Implementation Strategy for SMME outreach and training is suggested to the FoodBev SETA that includes Strategic Initiatives or steps that are designed to increase the participation of registered levy-paying small and medium size businesses. The strategy is also designed to promote, in a proactive way, the inclusion and active participation of Black Empowerment Enterprises (BEEs) in the overall scope of the program.

SECTION II: ACTION PLAN lays down a series of Action Steps linked to the 10 Strategic Initiatives that are needed to assure that the outreach and training components of the strategy for SMME development are achieved in a reasonable time frame.

### 2.2. Business Orientation and Training Strategy

Strategic Initiatives	Action Steps	Responsibility	Target Date
<b>Strategic Initiative 1:</b> The FoodBev SETA adopts a Two Track Approach to SME Training	1. SETA Council approves Two Track Training approach suggested by consultants	1. SETA Council and CEO	1. Strategy Committee Meeting May 22, '03
<b>Strategic Initiative 2:</b> The FoodBev SETA increases discretionary and National Skills Fund grants to hire Training Providers for Business Orientation and Training Strategy implementation.	1. Approve 200 learners each for Track One and Track Two 2004 training 2. Approve 300 learners for Track Three 2004 training.	1. SETA Council and CEO	1. September 2003 Business Plan review for 2004.

<b>Strategic Initiatives</b>	<b>Action Steps</b>	<b>Responsibility</b>	<b>Target Date</b>
<b>Strategic Initiative 3:</b> The FoodBev SETA develops two tracks of business orientation and training modules for current employees and owners of established SMEs based on already approved unit standards and qualifications.	<b>1.</b> Modules for Track One developed and approved. <b>2.</b> Modules for Track Two developed and approved. <b>3.</b> Identify and select Training Provider(s) for both tracks. <b>4.</b> Conduct training for 200 Track One and 200 Track Two learners	<b>1.</b> ETQA and Skills Devel. Manager  <b>2.</b> ETQA and Skills Devel. Manager  <b>3.</b> ETQA Officer  <b>4.</b> Trng. Provider(s)	<b>1.</b> Complete by end of July 2003.  <b>2.</b> Complete by end of August 2003.  <b>3.</b> Complete by end October 2003.  <b>4.</b> Complete by mid-December 2004
<b>Strategic Initiative 4:</b> The FoodBev SETA develops one business and entrepreneurship training module for learners in technical skills training Programs.	<b>1.</b> Module for Track Three developed and approved. <b>2.</b> Identify and select Training Provider(s) <b>3.</b> Conduct training for 300 Track Three learners	<b>1.</b> ETQA and Skills Devel. Manager  <b>2.</b> ETQA Officer  <b>3.</b> Trng. Provider(s)	<b>1.</b> Complete by mid-December 2003  <b>2.</b> Complete by February 2004 <b>3.</b> Complete by December 2004

### **2.3. SMME Marketing and Outreach Strategy**

<b>Strategic Initiatives</b>	<b>Action Steps</b>	<b>Responsibility</b>	<b>Target Date</b>
<b>Strategic Initiative 5:</b> The FoodBev SETA expands its market development activities and more pro-actively markets the FoodBev SETA and its programs through the use of current Consultant Skills Development Facilitators (SDFs) or new SDFs.	<b>1.</b> Identify four regions for expanded market coverage and regional/sub-regional marketing groups. <b>2.</b> Define specific functions and terms of contracts. <b>3.</b> Hire regional marketing groups (Consultant SDFs). <b>4.</b> Develop work plan with each regional/ sub-regional SDF. <b>5.</b> Target 800 new participating levy paying companies including SMEs not reached in prior years. <b>6.</b> Implement regional SETA Information Lines.	<b>1.</b> SETA personnel and Council.  <b>2.</b> SETA Managers and CEO.  <b>3.</b> SETA CEO  <b>4.</b> SETA Skills Dev. Manager with approval of CEO. <b>5.</b> Consultant SDFs and other regional/ sub-regional market developers.  <b>6.</b> Consultant SDFs.	<b>1.</b> Approval of strategy May mtg. Identify regions and mktg. groups by end June 2003. <b>2.</b> Terms defined by end mid-July 2003.  <b>3.</b> Contracts signed by mid-Oct. 2003.  <b>4.</b> Work plans complete by end of October 2003. <b>5.</b> Meet target by December 2004.  <b>6.</b> On implementation of SDF contracts.

<b>Strategic Initiatives</b>	<b>Action Steps</b>	<b>Responsibility</b>	<b>Target Date</b>
<b>Strategic Initiative 6:</b> The FoodBev SETA makes significant effort in its outreach to assure that BEEs are identified and participate in its programs.	<b>1.</b> Identify geographical target areas for concerted BEE outreach. <b>2.</b> Identify and hire BEE specific promoter/market developers.	<b>1.</b> SETA personnel in conjunction with Consultant SDFs. <b>2.</b> Consultant SDFs or other SETA contracted agents.	<b>1.</b> Completed by mid-July 2003. <b>2.</b> Hiring completed by mid-October 2003
<b>Strategic Initiative 7:</b> The FoodBev SETA promotes industry sub-sector representative associations to assist with information flow and augmenting credibility.	<b>1.</b> Training Provider capacity development assistance strategy for industry sub-sector representative associations, in addition to those already being assisted, agreed to at May Strategy review meeting.	<b>1.</b> SETA personnel and Council.	<b>1.</b> Approval of strategy at May meeting. Identification and preliminary agreements
<b>Strategic Initiative 8:</b> The FoodBev SETA actively promotes the establishment and development of new industry sub-sector specialist organizations	<b>1.</b> Identify five additional sub-FoodBev manufacturing sub-sector groups for promotion as SETA collaborators.	<b>1.</b> SETA CEO and managers with input from stakeholders.	<b>1.</b> On-going through 2004.
<b>Strategic Initiative 9:</b> The FoodBev SETA provides technical assistance for training capacity development in established industry sub-sector representative associations needed to qualify as training providers, assessors, and moderators.	<b>1.</b> Training Provider HR capacity development and accreditation assistance is conducted with a total of 10 industrial sub-sector groups.	<b>1.</b> ETQA Officer, Chamber Manager, and Skills Development Manager with oversight of CEO.	<b>1.</b> On-going from the present through 2005.
<b>Strategic Initiative 10</b> The FoodBev SETA uses radio and TV spots, public service announcements, or Regional Information Lines to let client companies know where program information can be obtained.	<b>1.</b> General announcements about SETA program offerings, where and how the regional/sub-regional teams can be contacted, and for how long they will be in any given area.	<b>1.</b> SETA public relations contractors, SETA personnel, and SDFs.	<b>1.</b> On-going through 2005.

### 3. SECTION III: MONITORING PLAN

As the FoodBev SETA program matures, more outreach and program marketing is done, and as more services are actually provided to client businesses, the SETA organization should be able to easily track program-related information with a higher level of accuracy and relevancy than is currently possible. The following three areas of information are ones that the FoodBev SETA should be collecting on a regular basis and are most relevant to its augmented outreach and training services for SMMEs. The consultants recommend that each area should be incorporated into the current revisions in SETA's internal data system<sup>4</sup>.

The FoodBev SETA should:

- Establish a FoodBev SETA-specific database of all registered participating and non-participating businesses;
- Monitor all SETA-financed education and training activities conducted with clients; and,
- Monitor progress toward implementing the SMME Strategy recommended in SECTIONS I AND II.

#### 3.1. Step 1: Establish a FoodBev SETA-specific database

The first step toward implementing a good information system that will support the development and implementation of FoodBev SETA programs will be to construct an accurate database of registered FoodBev SETA companies.

As the SETA moves forward with more proactive outreach and promotion, more detailed and accurate up-to-date company information will be needed to locate companies by localities and to plan promotional events. Names of companies, their physical addresses, contact telephone numbers, and e-mails should be updated for all firms.

##### 3.1.1. Database Clean-Up

The SETA currently uses a client list generated by the South African Revenue Service (SARS). It consists of about 3,000 companies that have paid in Skills Levies and that are registered under the FoodBev SETA. During the course of trying to identify companies for the small Needs Assessment Study, the consultants noted a significantly large number of companies that had either been misclassified in the system and should be transferred to a more appropriate SETA or that were unable to be reached with the information at hand.

Recommendation: The FoodBev SETA should “clean out” the database they are currently using so that there is more accurate portrayal of their client base. Inter-SETA transfers should be effectuated where appropriate. Names of companies, their physical addresses, contact telephone numbers, and e-mails should be updated for all firms. The SETA company database should contain the following *General Enterprise Information*:

- Name of the company
- Name and position of the owner
- Physical address of the company
- Contact telephone number

<sup>4</sup> The technical aspects of recording monitoring information in a way that allows most flexibility in sorting data by company name, size, sub-sector, BEE ownership, training needs identified, subject of trainings actually provided, and source of financing will be designed and recommended by the IT Consultant currently on contract to the SETA.

- Length of time in business
- Legal registration status, BEE status
- Principal products
- Number of employees
- Approximate Gross Monthly or Annual Sales

### **3.1.2. Training Needs Profile**

Baseline (first time) and subsequent information on each firm's basic organization and managerial level of maturity would be made available in this section of the SETA database.

### **3.1.3. Data Capture Method**

Information similar to, but not as extensive as the Needs Assessment Study Guide (that was too complex for most situations), would be obtained as part of the normal WSP process. This information would be used to generate a baseline of training needs that would take into consideration the administrative and managerial complexity of potential participating companies. Based on the SME Typology, businesses would then be given a rating that would enable the SETA to cluster enterprises according to their common needs, as well as other criteria such as location. This would allow programs of training to be developed for these different groups that would be relevant to them.

## **3.2. Step 2: Training Monitoring Information**

### **3.2.1. Information Requirements**

A current listing of all training including Learnerships, Skills Programs, short courses, and workshops should be current and readily available. The information should include:

- The names of all the companies that have received/participated in any learning activity, the number of employees on the typology, and whether a BEE;
- The FoodBev SETA Chamber and/or Sub-sector representative organization to which they pertain;
- The subject of the training and the objective for providing the training;
- The number of employees receiving training;
- The date WSP completed and by whom; and
- How the training was financed (mandatory, discretionary grants, other).

### **3.2.2. Data Capture Method**

Each time a training activity is carried out, the above information should be recorded at the beginning of the training. It should be keyed to the main SETA client data base that provides more specific company profile information so that other kinds of information correlations about company size, ownership, sub-sector, and/or type of training actually provided, for example, could be easily sorted and provide insights into which kinds of companies are receiving what type of training.



### 3.2.3. Baseline Information and Updating

Each company receiving training would have completed a WSP. The information generated by the WSP should be fed into the SETA database each time one is completed. Near the completion of each WSP year, there should be an “electronic flag” that will indicate to the SETA and the SDFs when the Yearly Implementation Report is due.

The new WSPs produced yearly will provide the information needed to update the *General Enterprise Information* in the FoodBev SETA database, which is quite straight forward. The yearly Implementation Report, to review the WSP, would feed information back into the *Training Needs Profile* providing an update on each company's needs and upcoming training demand for the next year<sup>5</sup>. Together these reports will contain information needed to:

- Track company progress toward implementing training;
- Provide anecdotal information regarding the benefits accrued to the business through the training provided;
- Identify additional training needs through the subsequent WSP; and
- Record any changes in the *General Enterprise Information* in the SETA database of registered companies, thereby keeping it current.

### 3.3. Step 3: SMME Program Strategy Implementation

The FoodBev SETA is embarking on a more concerted effort to improve the participation rates of SMMEs in its education and training programs. An Action Plan was developed to guide the implementation of the SMME Strategy. The FoodBev SETA needs to monitor to what degree the Action Plan and Strategy Initiatives are being implemented.

#### 3.3.1. Information Requirements

Each of the Strategic Initiatives in the Action Plan is keyed to a responsible SETA Officer or SDF and a target date for having different actions completed. The SETA should monitor the following information at a minimum:

- Activity to date;
- Progress toward achieving the projected results;
- Problems encountered and solutions either implemented or proposed to overcome the problem; and
- Revised projections.

#### 3.3.2. Reporting

The FoodBev SETA should review its progress toward achieving the Strategic Initiatives listed in the Implementation Strategy and the Action Plan. It is recommended that this be done through:

- Quarterly Progress Reports to the FoodBev Council at their scheduled meetings; and

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<sup>5</sup> Updating training demand across the FoodBev Manufacturing Sector is important to assuring that unit standard approvals and other qualifications and competencies are planned for and ready to be implemented when they are required.

- Internal Progress Reporting by responsible SETA personnel to the FoodBev SETA CEO at their weekly staff meetings.

The information needs and data capture methods recommended are compatible with other activities and documents already being administered by the FoodBev SETA. Adjustments are primarily in the kind and frequency of information collected and how it is recorded to provide useful, relevant information to the FoodBev SETA for planning purposes and progress monitoring.